

Cole Academy
Lansing, Michigan

Audited Financial Statements

June 30, 2008

CROSKEY, LANNI & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

CONTENTS

	<u>Page</u>
Independent Auditors Report	i - ii
Management's Discussion and Analysis	iii - ix
Basic Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Combined Balance Sheet - All Fund Types	3
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities	4
Statement of Revenues, Expenditures and Changes in Fund Balance - All Governmental Fund Types	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	6
Notes to Financial Statements	7 - 17
Supplemental Information	
Independent Auditor's Report on Supplemental Information	18
Budgetary Comparison Schedule - All Governmental Funds	19
Schedule of Revenues - All Governmental Fund Types	20
Schedule of Expenditures - All Governmental Fund Types	21 - 23
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24 - 25

David M. Croskey, CPA
Thomas B. Lanni, CPA
Carolyn A. Jones, CPA
Clifton F. Powell Jr., CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Cole Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cole Academy, as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements listed in the table of contents. These financial statements are the responsibility of Cole Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Cole Academy as of June 30, 2008, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2008 on our consideration of Cole Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through ix, and 19, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The introductory and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cole Academy's basic financial statements. The introductory section, combining and individual non major fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Croskey, Lanni & Company, P.C.

August 3, 2008
Rochester, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Cole Academy's (Academy) annual financial report presents our discussion and analysis of the public school Academy's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Financial Highlights

- Revenues exceeded expenditures in the general fund by \$164,623, increasing the general fund balance to \$524,400.
- General Fund Revenues decreased by 4.7 percent over the prior year to \$1,294,873. Blended enrollment used for state aid purposes was 142.5, a decrease of 10.7% from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Academy:

- The first two statements are academy-wide financial statements that provide both short-term and long-term information about the Academy's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Academy, reporting the Academy's operations in more detail than the academy-wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
- The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy's budget for the year. Table A-1 shows how the various parts of the annual report are arranged and related to one another.

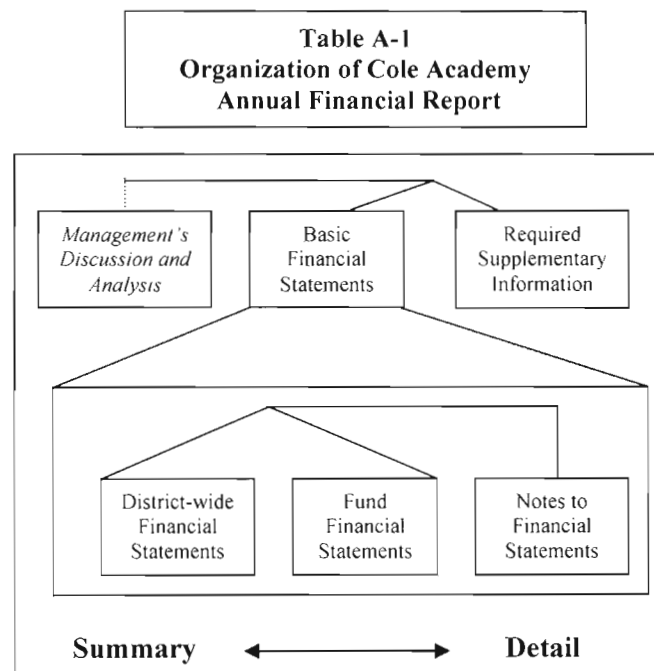


Table A-2 summarized the major features of the Academy's financial statements, including the portion of the Academy's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Table A - 2 Major Features of the Academy-Wide and Fund Financial Statements

	Academy-wide statements	Fund Financial Statements
		Governmental funds
Scope	Entire Academy (except fiduciary funds)	All activities of the Academy that are not fiduciary (the Academy does not have fiduciary funds)
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

Academy-Wide Statements

The Academy-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Academy's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Academy-wide statements report the Academy's net assets and how they have changed. Net assets - the difference between the Academy's assets and liabilities, are one way to measure the Academy's financial health or position.

- Over time, increases or decreases in the Academy's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy, you need to consider additional non-financial factors such as changes in the Academy's enrollment, the condition of school buildings and other facilities, and the Academy's ability to be competitive with other public school academies and area school districts.

In the Academy-wide financial statements, the Academy's activities:

- Governmental activities - The Academy's basic services are included in the general fund, such as regular education and administration. State foundation aid finances most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Academy's funds, focusing on its more significant or "major" funds - not the Academy as a whole. Funds are accounting devices the Academy uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law and by debt agreements.
- The Academy establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like food services and athletics).

All of the Academy's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. Because this information does not encompass the additional long-term focus of the Academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

Financial Analysis of the Academy as a Whole

Net assets - the Academy's combined net assets increased from the prior year by \$81,241 creating a positive balance of \$56,796. See Table A - 3.

The total revenues decreased by 5.5% to \$1.35 million dollars.

The total cost of instruction increased by 3.7% to \$600,093. The majority of the increase was due to the mandated increase in Special Education personnel caused by the number of students requiring one-on-one attention increasing to five (5) full time teaching assistants. It should be noted that the costs of Special Education are currently reimbursed 100% thru the ISD. Of special note was an increase charged to expense to reconcile our receivable balance with the ISD for special ed reimbursements. In researching prior audit balances, an adjustment of \$12,250 was made to bring the balance back to a certifiable amount. Some of the increased costs listed here were partially offset by savings in transferring some costs of teaching assistants to the food services program (\$6,600) for work done during meal sessions, and by costs of unemployment compensation dropping due to the school being a participating, rather than a reimbursing, program (\$19,637).

Figure A-3
Cole Academy Net Assets (Deficit)

	2008	2007
Current assets	\$583,197	\$439,231
Restricted investments	338,875	336,557
Capital assets, net	1,671,639	1,732,951
Total assets	2,593,711	2,508,739
Current liabilities	159,783	168,184
Long-term debt outstanding	2,330,000	2,365,000
Total liabilities	2,489,783	2,533,184
Net assets:		
Invested in capital assets, net of related debt	(693,361)	(658,356)
Restricted for debt service	320,019	291,788
Unrestricted	477,270	342,123
Total net assets (deficit)	\$ 103,928	\$ (24,445)

Figure A-4
Changes in Cole Academy's Net Assets

	2008	2007
Revenues:		
Program revenues:		
Federal and state categorical grants	\$ 184,662	\$ 147,637
Charges for services	10,035	10,118
General revenues:		
State aid - unrestricted	1,070,794	1,177,908
ISD - Special Education	56,545	50,069
Investment income	15,469	17,576
Local sources	7,389	24,869
Total revenues	1,344,894	1,428,177
Expenses:		
Instruction	600,093	578,829
Support services	311,578	302,195
Food services	42,982	52,519
Athletics	-	-
Interest on long-term debt	189,448	191,719
Unallocated depreciation	72,420	70,747
Total expenses	1,216,521	1,196,009
Change in net assets	\$ 128,373	\$ 232,168

Financial Analysis of the Academy's Funds

As the Academy completed the year, its governmental funds reported combined fund balances of \$844,419, an increase of \$164,851 from last year's total of \$679,568. General fund revenues decreased by \$60,814 while expenditures increased by \$29,402. General fund revenues were decreased in part because of lower enrollment figures offset somewhat by a higher per pupil reimbursement and increased special ed funding. The majority of the increase in expenditures was attributable to increased personnel costs for salary & benefits and the increase in special education employees. Building maintenance costs were also higher than in past years due to repairs and rising supply costs.

The general fund balance increased \$164,623 (45.8%) to \$524,400. This represents approximately 5.1 months (43%) of the 2008 total general fund expenditures.

The food services fund was approximately a break-even venture in 2007/2008.

General Fund Budgetary Highlights

Over the course of the year, the Academy revised the annual operating budget, most recently in June of 2008. Total general fund revenues increased by \$37,580 and instruction expenditures increased by \$8,500 from the original to final budgets (special ed). Support services expenditures decreased from the original to final budget by approximately \$20,800. The primary cause for the revisions of revenue was an increase in per pupil funding along with Special Ed and 31-A increases. An emphasis continues in controlling costs on expenses. The support services needed to be decreased due to overall controlling costs associated with personnel in the Administrative department, and lower budgeted costs associated with maintaining the building and grounds. There also was a large savings in legal costs during the fund year. We continue to use a very conservative approach in budgeting (especially with the original budget).

Capital Asset and Debt Administration

Capital assets

As of June 30, 2008, the Academy had invested \$1,671,639 in capital assets consisting primarily of land, buildings and improvements, equipment and furniture net of accumulated depreciation. This amount represents a decrease in capital assets of \$61,311 from the beginning of the year. More detailed information about capital assets can be found in Note 5 to the financial statements. Total depreciation expense for the year was \$72,420.

The Academy's capital assets are as follows:

Figure A-5
Cole Academy's Capital Assets

	2008			2007
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>	<u>Net book value</u>
Building and improvements	\$ 1,618,021	\$ 308,199	\$ 1,309,822	\$ 1,345,500
Equipment and furniture	231,593	144,776	86,817	112,450
Land	275,000	-	275,000	275,000
Total	<u>\$ 2,124,614</u>	<u>\$ 452,975</u>	<u>\$ 1,671,639</u>	<u>\$ 1,732,950</u>

Long-term debt

At year-end the Academy had \$2,365,000 of full term certificates of participation. This represents a net decrease of \$26,307 resulting from the repayment of certificates of participation and capital lease. (More detailed information about the Academy's long-term debt is presented in Note 8 to the financial statements).

Factors Bearing on the Academy's Future

At the time these financial statements were prepared and audited, the Academy was aware of existing circumstances that could significantly affect its financial health in the future.

Enrollment was 141 students for the 2007-2008 school year. There is a cap of 192 students to maintain a low ratio between student and classroom staff, still allowing for individual grades to grow in size. As time passes, the Board has the ability to revisit the cap to allow additional students, as long as it is in the best interest of the school to expand. At this point, with Michigan population on the decline, the prospect is more toward student numbers declining rather than increasing. The staff is following the count closely, as student count directly affects our State funding.

The 2007-2008 foundation allowance (state aid funding) from the State of Michigan was \$7,475 per student. The foundation allowance represents 83% of the total Academy revenue.

Prior review of the staff payroll revealed discrepancies when compared to other schools. When analyzing comparable salaries in the area, it was clear that some prior pay rates had compensated staff beyond their qualifications, while others are considerably lower. Current measures to manage staff salaries include trying to base pay rates based more on the norm for similar positions at other area schools (especially charter schools). Going forward, the Academy will consider this, along with performance and the Academy's financial health, when determining rates of pay.

The major area of focus going forward will be in maintaining and growing student enrollment. It is felt that the educational foundation has been solidified and continues to be improved. A school wide computer system, including wiring to a central server, allows for sharing of programs and quicker transfer of information between staff. Many measures have taken place to better monitor the financial well being of the academy, especially the strong emphasis on spending for need rather than want items. With these ideas being in place, the need to keep enrollment at current, or higher, levels becomes crucial for the academy's success.

Contacting the Academy's Financial Management

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy's finances and to demonstrate the academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy's office at 1915 West Mount Hope in Lansing, Michigan, 48910.

COLE ACADEMY

STATEMENT OF NET ASSETS

JUNE 30, 2008

See Independent Auditor's Report

ASSETS

Current Assets

Cash and cash equivalents	\$ 360,617
Investments	338,875
Due from other governmental units	221,448
Prepaid expenses	<u>1,132</u>
Total current assets	922,072

Facilities, Furniture and Equipment

At cost less accumulated depreciation of \$452,975	<u>1,671,639</u>
Total assets	<u><u>\$ 2,593,711</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 14,817
Other accrued expenses	109,966
Long-term debt - current portion	<u>35,000</u>
Total current liabilities	159,783

Long-Term Debt - Long-Term Portion

2,330,000

Net Assets

Invested in capital assets, net of related debt	(693,361)
Restricted for debt service	320,019
Unrestricted	<u>477,270</u>
Total net assets	<u>103,928</u>

Total liabilities and net assets	<u><u>\$ 2,593,711</u></u>
----------------------------------	----------------------------

See accompanying notes to financial statements

COLE ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008 See Independent Auditor's Report

Functions	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants	Government Type Activities
Elementary school	\$ 414,000	\$ -	\$ 28,905	\$ (385,095)
Special education	91,989	-	91,989	-
Compensatory education	94,104	-	94,104	-
Support services	6,818	-	-	(6,818)
General administration	9,562	-	-	(9,562)
Executive administration	32,124	-	-	(32,124)
Building administration	181,615	-	-	(181,615)
Lunch program	42,982	10,035	33,005	58
Business support services	12,352	-	-	(12,352)
Operation and maintenance	59,581	-	-	(59,581)
Other support services	9,526	-	-	(9,526)
Unallocated depreciation	72,420	-	-	(72,420)
Unallocated interest	189,448	-	-	(189,448)
Total primary government	<u>\$ 1,216,521</u>	<u>\$ 10,035</u>	<u>\$ 248,003</u>	<u>(958,483)</u>
General Purpose Revenues:				
State school aid - unrestricted				1,070,794
Interest				15,469
Miscellaneous				593
Total general purpose revenues				<u>1,086,856</u>
Excess of revenues over expenses				128,373
Net assets - July 1, 2007				<u>(24,445)</u>
Net assets - June 30, 2008				<u>\$ 103,928</u>

See accompanying notes to financial statements

COLE ACADEMY

COMBINED BALANCE SHEET - ALL FUND TYPES

JUNE 30, 2008

See Independent Auditor's Report

ASSETS

	Governmental Fund Types	
	General	Debt Service
Cash and cash equivalents	\$ 360,617	\$ -
Investments	18,856	320,019
Due from other governmental units	221,448	-
Prepaid expenses	1,132	-
Total assets	<u>\$ 602,053</u>	<u>\$ 320,019</u>

LIABILITIES AND FUND BALANCES

Liabilities

Accounts payable	\$ 14,817	\$ -
Other accrued expenses	62,836	-
Total liabilities	77,653	-

Fund Balance

Designated for debt service	-	320,019
Unreserved:		
Undesignated	524,400	-
Total liabilities and fund balances	<u>\$ 602,053</u>	<u>\$ 320,019</u>

See accompanying notes to financial statements

COLE ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2008

See Independent Auditor's Report

Amounts reported for governmental activities in the statement of net assets are different because:

Total Governmental Fund Balances	\$ 844,419
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$2,124,614 and the accumulated depreciation is \$452,975.	1,671,639
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(47,130)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,365,000)</u>
Net Assets of Governmental Activities	<u><u>\$ 103,928</u></u>

See accompanying notes to financial statements

COLE ACADEMY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

	<u>General</u>	<u>School Service</u>	<u>Debt Service</u>
Revenues			
Local sources	\$ 24,990	\$ 10,035	\$ 9,327
State sources	1,201,811	1,362	-
Federal sources	68,072	31,643	-
	<hr/>	<hr/>	<hr/>
Total governmental fund revenues	1,294,873	43,040	9,327
Expenditures			
Elementary school	414,000	-	-
Special education	91,989	-	-
Compensatory education	94,104	-	-
Support services	6,818	-	-
General administration	9,562	-	-
Executive administration	32,124	-	-
Building administration	181,615	-	-
Lunch program	-	42,982	-
Business support services	12,352	-	-
Operation and maintenance	59,581	-	-
Other support services	9,526	-	-
Capital outlay	11,109	-	-
Debt principal and interest	1,164	-	215,463
	<hr/>	<hr/>	<hr/>
Total governmental fund expenditures	923,944	42,982	215,463
Excess (deficiency) of revenues over expenditures	370,929	58	(206,136)
Other Financing Sources (Uses)			
Operating transfers in	58	-	206,364
Operating transfers out	(206,364)	(58)	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(206,306)	(58)	206,364
Excess of revenues and other financing sources over expenditures and other (uses)	164,623	-	228
Fund balance - July 1, 2007	359,777	-	319,791
	<hr/>	<hr/>	<hr/>
Fund balance - June 30, 2008	\$ 524,400	\$ -	\$ 320,019
	<hr/>	<hr/>	<hr/>

See accompanying notes to financial statements

COLE ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008 See Independent Auditor's Report

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$	164,851
---	-----------	----------------

Governmental funds report capital outlays as expenditures. However, in the statements of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$	11,109	
Depreciation expense		<u>(72,420)</u>	(61,311)

The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Repayment of loan principal	\$	26,307	
Interest expense		<u>872</u>	27,179

The governmental funds report revenue as it is available and receivable while the full accrual method recognizes the revenue when it is earned. Following is the amount of deferred revenue which was recognized in the funds during the current fiscal year.

(2,346)

Change in Net Assets of Governmental Activities	\$	<u>128,373</u>
--	-----------	-----------------------

See accompanying notes to financial statements

COLE ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies

The accounting policies of Cole Academy (the "Academy") conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

Reporting Entity

Cole Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on August 23, 1994, and began operation in July, 1994.

In July 2007, the Academy entered into a five year contract with Central Michigan University to charter a public school academy. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays Central Michigan University three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2008 were approximately \$32,500.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operation of financial relationships with the public school Academy. Based on application of criteria, the Academy does not contain component units.

Fund Financial Statements

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The Academy has elected to specify all of its funds as major.

Basis of Presentation - Fund Accounting

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined basic financial statements in this report, into generic fund types in two broad categories:

COLE ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Governmental Fund

A governmental fund is a fund through which most academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

General Fund - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Debt Service Fund - The debt service fund is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

Capital Projects Fund - The capital project fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

Fiduciary Fund - The fiduciary fund is used to account for assets held by the Academy in a trustee capacity or as an agent. The agency fund is custodial in nature and does not involve the measurement of results of operations.

Activity (Agency) Fund - The Academy presently maintains an activity fund to record the transactions of a student group for school and school-related purposes. The fund is segregated and held in trust for the students.

Governmental funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough, thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

COLE ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Government Wide Financial Statements

The government-wide financial statements (i.e. the statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses, and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self financing or draws from the general revenues of the Academy.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The academy first utilizes restricted resources to finance qualifying activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for certain investments and for external investment pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration the rate of return is fixed and the Academy intends to hold the investment until maturity. The Academy held investments in mutual funds that invest solely in U.S. Treasury obligations. The funds are held in trust for debt service and capital projects. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bond, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. Banks, and mutual funds composed of investments as outlined above.

COLE ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Receivables

Receivables at June 30, 2008 consist primarily of state school aid due from the State of Michigan. All receivables are expected to be fully collected in July and August of 2008 and are considered current for the purposes of these basic financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Academy defines capital assets as those with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10 - 50 years
Furniture and equipment	5 - 15 years
Computers and software	3 - 10 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

COLE ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws and regulations of other governments.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance of amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - Stewardship, Compliance and Accountability

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan Law. The Academy is required by law to adopt general and special revenue fund budgets. During the year ended June 30, 2008 the budget was amended in a legally permissible manner. There were no budget overages during the year ended June 30, 2008.

COLE ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 3 - Deposits and Investments

As of June 30, 2008, the Academy had the following investments.

<u>Type</u>	<u>S&P Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Cash on hand			\$ 7,962
Demand deposits			352,655
Total deposits			360,617
Investments:			
U.S. Treasury and agency obligations	AAAm	Various	338,875
Total deposits and investments			<u>\$ 699,492</u>

The above amounts are reported in the financial statements as follows:

Deposits:	
Cash - Academy Wide	\$ 360,617
Investments:	
Investments - General Fund	18,856
Investments - Debt Service Fund	320,019
Subtotal	338,875
Total deposits and investments	<u>\$ 699,492</u>

Interest Rate Risk

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

COLE ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 3 - Deposits and Investments - Continued

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2008, the Academy's investments were rated AAAm by Standards & Poor's and Aaa by Moody's Investors Service.

Concentration of Credit Risk

The district will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the Academy's investments are in investment pools which represents 100% of the Academy's total investments.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, \$266,780 of the Academy's bank balance of \$366,780 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign Currency Risk

The Academy is not authorized to invest in investments which have this type of risk.

NOTE 4 - Due From Other Governmental Units

Amounts owed from governmental units consist of the following:

At risk	\$	8,994
Special education		17,677
State aid		194,777
Total	\$	221,448

COLE ACADEMY**NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report

NOTE 5 - Capital Assets

Capital asset activity of the Academy's governmental activities was as follows:

	Balance July 1, 2007	Additions	Balance June 30, 2008
Land (non depreciable)	\$ 275,000	\$ -	\$ 275,000
Building and improvements	1,606,912	11,109	1,618,021
Equipment and furniture	231,593	-	231,593
Subtotal	2,113,505	11,109	2,124,614
Accumulated depreciation	380,555	72,420	452,975
Net book value of assets	<u>\$ 1,732,950</u>	<u>\$ (61,311)</u>	<u>\$ 1,671,639</u>

Depreciation expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

NOTE 6 - Note Payable

At June 30, 2007 the Academy had \$15,446 outstanding from a revenue note dated September 18, 2006. The note was issued to provide the Academy with operating funds at the beginning of the school year. The note had an interest rate of 6.5% and was fully repaid in August 2007.

NOTE 7 - Accrued Expenses

Accrued expenses may be summarized as follows:

	Net Assets	Funds
CMU oversight	\$ 5,843	\$ 5,843
Purchased services - payroll and benefits	56,993	56,993
Other accrued expenses	47,130	-
Total accrued expenses	<u>\$ 109,966</u>	<u>\$ 62,836</u>

COLE ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 8 - Long-Term Obligations Payable

The following is a summary of long-term obligations for the Academy for the year ended June 30, 2008.

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
Capital lease	\$ 1,307	\$ -	\$ 1,307	\$ -	\$ -
Certificates of participation	2,390,000	-	25,000	2,365,000	35,000
Total	<u>\$ 2,391,307</u>	<u>\$ -</u>	<u>\$ 26,307</u>	<u>\$ 2,365,000</u>	<u>\$ 35,000</u>

The Academy has issued Certificates of Participation bearing interest at an average rate of 7.94 % through the year ending June 30, 2031. The obligations require semi-annual interest payments due on April 1st and October 1st and an annual payment of principal due on April 1st beginning in 2004. The certificates are collateralized by a mortgage on the Academy's facility as well as a pledge for 20% of State School Aid payments and investments held in trust for debt service.

Following are maturities of long-term obligations principal and interest for each of the next five years and in total:

	<u>Principal</u>	<u>Interest</u>
2009	\$ 35,000	\$ 188,525
2010	40,000	185,813
2011	45,000	182,713
2012	45,000	179,225
2013	50,000	175,738
2014 - 2018	310,000	813,976
2019 - 2023	455,000	673,076
2024 - 2028	660,000	462,600
2029 - 2031	725,000	135,281

NOTE 9 - Interfund Transfers

During the normal course of the school year the Academy transferred amounts between its two major funds as follows:

	<u>General</u>	<u>School Service</u>	<u>Debt Service</u>
Transfers In	\$ 58	\$ -	\$ 206,364
Transfers Out	206,364	58	-

As stipulated by the Academy's Certificates of Participation as described in Note 7, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion needed for debt service and returns the remainder to the Academy.

COLE ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report

NOTE 10 - Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 11 - Employee Retirement System - Defined Benefit Plan

Plan Description - The Academy contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the Academy. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions for a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The Academy is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2008, were 17.74% through September 2007 and 16.72% for October 1, 2007 through June 30, 2008. The contribution requirements of plan members and the Academy are established and may be amended by the MPERS Board of Trustees. The Academy contributions to MPERS for the years ended June 30, 2008, 2007 and 2006 were approximately \$87,500, \$84,000 and \$99,000, respectively, equal to the required contribution for each year.

COLE ACADEMY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 11 - Employee Retirement System - Defined Benefit Plan - Continued

The Academy is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the System with the balance deducted from the monthly pension.



Croskey, Lanni & Company, PC
Certified Public Accountants and Business Advisors

345 Diversion Street, Suite 400
Rochester, MI 48307
Office 248.659.5300 Fax 248.659.5305

David M. Croskey, CPA
Thomas B. Lanni, CPA
Carolyn A. Jones, CPA
Clifton F. Powell Jr., CPA

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors of Cole Academy

We have audited the accompanying financial statements of Cole Academy for the year ended June 30, 2008. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Cole Academy. This information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.


Croskey, Lanni & Company, P.C.

August 3, 2008
Rochester, Michigan

COLE ACADEMY

REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE - ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	General Fund		
	Original Budget	Final Budget	Actual
Revenues			
Local sources	\$ 14,175	\$ 21,250	\$ 24,990
State sources	1,167,567	1,199,900	1,201,811
Federal sources	69,365	67,537	68,072
Total governmental fund revenues	1,251,107	1,288,687	1,294,873
Expenditures			
Elementary school	433,886	417,564	414,000
Special education	69,460	94,310	91,989
Compensatory education	97,493	95,480	94,104
Support services	8,000	7,900	6,818
General administration	17,650	10,525	9,562
Executive administration	31,803	32,250	32,124
Building administration	185,721	185,009	181,615
Lunch program	-	-	-
Business support services	15,632	12,944	12,352
Operation and maintenance	74,808	64,700	59,581
Other support services	11,275	10,750	9,526
Capital outlay	15,250	11,700	11,109
Debt principal and interest	1,175	1,175	1,164
Total governmental fund expenditures	962,153	944,307	923,944
Excess (deficiency) of revenues over expenditures	288,954	344,380	370,929
Other Financing Sources (Uses)			
Operating transfers in	-	-	58
Operating transfers out	(221,125)	(212,175)	(206,364)
Total other financing sources (uses)	(221,125)	(212,175)	(206,306)
Excess of revenues and other financing sources over expenditures and other (uses)	67,829	132,205	164,623
Fund balance - July 1, 2007	359,777	359,777	359,777
Fund balance - June 30, 2008	\$ 427,606	\$ 491,982	\$ 524,400

School Service Fund

Original Budget	Final Budget	Actual
\$ 11,925	\$ 10,030	\$ 10,035
-	1,360	1,362
35,000	31,640	31,643
46,925	43,030	43,040
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
47,775	43,100	42,982
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
47,775	43,100	42,982
(850)	(70)	58
850	70	-
-	-	(58)
850	70	(58)
-	-	-
-	-	-
\$ -	\$ -	\$ -

COLE ACADEMY

SCHEDULE OF REVENUES - ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED JUNE 30, 2008 See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>School Service</u>	<u>Debt Service</u>
Local Sources			
Contributions	\$ 593	\$ -	\$ -
Food sales	-	10,035	-
Interest	8,487	-	9,327
Miscellaneous	<u>15,910</u>	<u>-</u>	<u>-</u>
Total local sources	24,990	10,035	9,327
State Sources			
At risk	49,446	-	-
Lunch reimbursemnts	-	1,362	-
Special education	81,571	-	-
State aid	<u>1,070,794</u>	<u>-</u>	<u>-</u>
Total state sources	1,201,811	1,362	-
Federal Sources			
National school lunch	-	31,643	-
Title I	56,076	-	-
Title II A	11,621	-	-
Title V	<u>375</u>	<u>-</u>	<u>-</u>
Total federal sources	<u>68,072</u>	<u>31,643</u>	<u>-</u>
Total governmental fund revenues	<u>\$ 1,294,873</u>	<u>\$ 43,040</u>	<u>\$ 9,327</u>

COLE ACADEMY

SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>School Service</u>	<u>Debt Service</u>
Elementary School			
Salaries	\$ 270,706	\$ -	\$ -
Benefits	84,674	-	-
Payroll taxes	21,912	-	-
Textbooks and supplies	36,208	-	-
Workshops and conferences	500	-	-
	<hr/>	<hr/>	<hr/>
Total elementary school	414,000	-	-
Special Education			
Salaries	65,799	-	-
Benefits	19,559	-	-
Payroll taxes	6,488	-	-
Supplies and materials	143	-	-
	<hr/>	<hr/>	<hr/>
Total special education	91,989	-	-
Compensatory Education			
Salaries	69,488	-	-
Benefits	15,705	-	-
Payroll taxes	6,034	-	-
Supplies and materials	2,877	-	-
	<hr/>	<hr/>	<hr/>
Total compensatory education	94,104	-	-
Support Services			
Supplies and materials	48	-	-
Workshops and conferences	6,770	-	-
	<hr/>	<hr/>	<hr/>
Total support services	6,818	-	-

COLE ACADEMY

SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUND TYPES - Continued

FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>School Service</u>	<u>Debt Service</u>
General Administration			
Advertising and recruiting	554	-	-
Professional fees	8,080	-	-
Workshops and conferences	928	-	-
Total general administration	9,562	-	-
Executive Administration			
Oversight fees	32,124	-	-
Building Administration			
Salaries	129,233	-	-
Benefits	36,320	-	-
Payroll taxes	10,309	-	-
Office supplies	3,855	-	-
Miscellaneous	1,898	-	-
Total building administration	181,615	-	-
Lunch program			
Salaries	-	5,302	-
Benefits	-	892	-
Payroll taxes	-	406	-
Caterer and food	-	35,174	-
Supplies and materials	-	1,208	-
Total lunch program	-	42,982	-
Business Support Services			
Dues and fees	3,373	-	-
Insurance	5,436	-	-
Purchased services	2,460	-	-
Miscellaneous	1,083	-	-
Total business support services	12,352	-	-

COLE ACADEMY

SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUND TYPES - Continued FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>School Service</u>	<u>Debt Service</u>
Operation and Maintenance			
Insurance	5,408	-	-
Purchased services	18,303	-	-
Repairs and maintenance	19,072	-	-
Utilities	<u>16,798</u>	<u>-</u>	<u>-</u>
Total operation and maintenance	59,581	-	-
Other Support Services	9,526	-	-
Capital Outlay			
Building administration	3,612	-	-
Operation and maintenance	<u>7,497</u>	<u>-</u>	<u>-</u>
Total capital outlay	11,109	-	-
Debt Principal and Interest	<u>1,164</u>	<u>-</u>	<u>215,463</u>
Total governmental fund expenditures	<u>\$ 923,944</u>	<u>\$ 42,982</u>	<u>\$ 215,463</u>



David M. Croskey, CPA

Thomas B. Lanni, CPA

Carolyn A. Jones, CPA

Clifton F. Powell Jr., CPA

Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

**To the Board of Directors
of Cole Academy**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cole Academy as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated August 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cole Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cole Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cole Academy's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Academy's financial statements that is more than inconsequential will not be prevented or detected by the Academy's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Academy's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether Cole Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board of directors, the Michigan Department of Education, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.


Croskey, Lanni & Company, P.C.

August 3, 2008
Rochester, Michigan